MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BAC4634 – CORPORATE ACCOUNTING II

(All sections / Groups)

24 OCTOBER 2018
9.00 a.m –12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 5 pages (excluding the cover) with 4 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

Positive Berhad acquired a subsidiary, Neutral Ltd, a company in the United States, on 31 December 2016. On the acquisition date, Neutral Ltd had a retained profit of $3,000,000. Upon acquisition, Neutral Ltd is a wholly-owned subsidiary of Positive Berhad. The financial year end for Positive Berhad and Neutral Ltd is 31 December annually. The following information relates to the parent and subsidiary for year 2017:

Statement of Financial Position as at 31 December 2017

	Positive Berhad RM'000	Neutral Ltd $'000
Property, plant and equipment	12,200	32,000
Investment in Neutral Ltd	20,000	-
Trade receivables	3,000	5,600
Bank	2,300	2,000
Trade payables	(4,000)	(3,000)
Borrowings	(2,500)	(2,000)
	31,000	34,600
Share capital	25,000	28,000
Retained profit	6,000	6,600
	31,000	34,600

Statement of profit or loss for the year ended 31 December 2017

	Positive Berhad RM'000	Neutral Ltd $'000
Revenue	30,000	10,080
Cost of sales	(21,000)	(3,960)
Gross profit	9,000	6,120
Operating expenses	(550)	(440)
Operating profit	8,450	5,680
Taxation	(2,500)	(2,080)
Profit for the year	5,950	3,600

The following are the relevant exchange rates for RM1:

31 December 2016	$2.00
Average rate 2017	$1.80
31 December 2017	$1.60

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Required:

In compliance with the MFRS 121: *The Effects of Changes in Foreign Exchange Rates* and using the net investment method:

i) Prepare the translated statement of financial position as at 31 December 2017.
(4 marks)

ii) Prepare the translated statement of profit or loss for the year ended 31 December 2017.
(2 marks)

iii) Compute the goodwill on consolidation.
(2 marks)

iv) Prepare the reconciliation of the exchange difference for year 2017.
(3 marks)

v) Prepare the consolidated statement of financial position as at 31 December 2017.
(10 marks)

vi) Prepare the consolidated statement of profit or loss for the year ended 31 December 2017.
(4 marks)

(Total: 25 marks)

QUESTION 2

Part A

Lemon Berhad, a Malaysian listed company, has diversified businesses. The company has financial year end on 31 December annually. The company has four operating segments, as follows:

Segment	
A	sugar manufacturing
B	candy manufacturing
C	charcoal supplies
D	logistic services

The accountant of Lemon Berhad is disclosing three reportable segments. The operating segments A and B are aggregated as a single reportable segment. They are aggregated based on similar nature of manufacturing process.

For segment A, the manufacturing contract is awarded by the Ministry of Domestic Trade. The manufacturing contract will be awarded based on the open tender and bidding process.

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The Ministry will pay Lemon Berhad for the sugar manufactured by Lemon Berhad. The sugar price is determined by the Ministry.

For segment B, the price of the manufactured candy is set by Lemon Berhad. The customers pay directly to Lemon Berhad for every purchase of candies.

Required:

Using the MFRS 8: *Operating Segments*, assess how the reportable segments should be presented in the financial statement.

(15 marks)

Part B

White Perfect Berhad, a Malaysian listed company, has regular acquisitions of silver from a Japanese supplier. Therefore, White Perfect Berhad designates a future purchase of silver as a hedged item in a cash flow hedge.

On 1 January 2017, White Perfect Berhad purchased the silver. On the same date, a cumulative gain on the hedging instrument of RM6 million had been credited to other comprehensive income.

At the year end of 31 December 2017, the carrying amount of the silver was RM16 million and its net realizable value was RM12 million. The silver was finally sold on 31 March 2018 for RM12.4 million.

Required:

Show how White Perfect Berhad should recognize and measure the cash flow hedge for the year 2017 and 2018.

(10 marks)

(Total: 25 marks)

QUESTION 3

Part A

Orange Berhad, a Malaysian listed company, engages in the telecommunication business. The financial year end is 31 December annually. The following information is available for the deferred tax calculation:

a) At 31 December 2017, Orange Berhad performed a revaluation on the machinery and recorded a surplus on revaluation of RM4 million. The carrying amount of machineries was RM40 million and tax written down was RM30 million. The revaluation reserve brought forward on 1 January 2017 was RM5 million.

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b) At 31 December 2017, the trade receivables were disclosed at RM4.5 million after providing for doubtful debts of RM500,000.

c) An investment was classified at fair value through profit of loss of RM10 million. The cost of the investment was RM6 million.

d) The other payables of Orange Berhad include fines and penalties of RM6 million. The fines and penalties are not deductible for tax purpose.

e) Income tax rate changed from 25% to 24%.

f) The deferred tax liability brought forward is RM1,800,000.

Required:

In accordance with the MFRS 112: *Income Taxes*:

i) Measure the tax expense for year ended 31 December 2017.

(10 marks)

ii) Determine the journal entries for the movement in deferred tax in year 2017.

(6 marks)

Part B

Apple Berhad is a Malaysian listed company, engages in the entertainment services. In order to ensure that the services provided to the customers are at a high quality, Apple Berhad needs to retain the talented employees. Therefore, Apple Berhad is granting 150,000 share options to the employees on 1 January 2016.

The options will vest at the end of year 2017 and are exercisable from the beginning of year 2018. Fair value of the option was RM16. The tax rate is 24% for all years.

The intrinsic value per option is as follows:

Year	Intrinsic value per option
	RM
2016	10
2017	18

Required:

In compliance with the MFRS 2: *Share-based Payments*, measure the deferred tax liability or asset for year 2016 and 2017.

(9 marks)

(Total: 25 marks)

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QUESTION 4

Part A

Blue Sky Berhad is a Malaysian listed company that engages in the business of manufacturing electrical equipment. The financial year end is 31 December annually.

As at 31 December 2016, Blue Sky Berhad estimated that its present obligation on a defined benefit scheme was RM 8 million using a 12% discount rate. The same amount was contributed into the plan assets.

As at 31 December 2017, the actuarist informed that the return on plan assets was 15% and the present obligation is RM14.4 million. The current service cost is RM8.2 million and contribution to the plan assets is RM7 million. The fair value of the plan assets as at 31 December 2017 is RM13 million. During year 2017, Blue Sky Berhad paid RM4 million to the retired staff. Contributions to the fund and benefits are paid at the end of the year.

Required:

In compliance with the MFRS 119: *Employee Benefits*:

i) Determine the journal entries for the obligations and the plan assets in year 2017. (10 marks)

ii) Determine the extracts of the notes to the financial statement showing the obligations and plan assets as at 31 December 2017. (5 marks)

Part B

Determine the accounting treatment for the following items, in compliance with the MFRS 134: *Interim Financial Reporting*:

i) Amortization
ii) Impairment loss
iii) Research and development
iv) Inventories
v) Foreign currency translation gains and losses

(10 marks)

(Total: 25 marks)

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